

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: BEXP, VE

SUBJECT: MAJOR PROJECT: RAILROAD DEVELOPMENT

REF: CARACAS 11029

1. REFTEL HAS BEEN DISSEMINATED TO EXPERIENCED U.S. FIRMS, ESPECIALLY THOSE NOW OPERATING IN VENEZUELA. EMBASSY ALREADY AWARE OF INTEREST OF PULLMAN INC. AND WE EXPECT RESPONSE FROM OTHER COMPANIES. HOWEVER, IF FERROCARRILES NACIONALES PROCEEDS WITH PLANS OUTLINED IN REFTEL, BELIEVE U.S. INDUSTRY MIGHT BE AT DISADVANTAGE COMPARED TO THIRD COUNTRY COMPETITORS. AMERICAN COMPANIES CERTAINLY CAPABLE HANDLING VARIOUS ASPECTS OF PROJECT BUT WE KNOW OF NO FIRM THAT COULD PROVIDE ALL NECESSARY SERVICES BY ITSELF. REQUIREMENTS CAN ONLY BE MET BY CONSORTIUM THAT WOULD INCLUDE ENGINEERS, CONSTRUCTORS, MANUFACTURERS, RAILROAD OPERATORS, AND FINANCIAL INSTITUTIONS. BECAUSE OF COMPETITIVE CONSIDERATIONS, DEVELOPMENT OF SINGLE U.S. CONSORTIUM BIDDER MIGHT BE

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DIFFICULT.

2. SEVERAL EUROPEAN COUNTRIES AND JAPAN HAVE NATIONAL RAILROAD ADMINISTRATIONS WITH ORGANIZATION THAT LENDS ITSELF TO SINGLE COUNTRY TURNKEY BIDDING. VENEZUELAN

STATEMENT THAT PREQUALIFICATION REQUIREMENTS WILL BE DISTRIBUTED TO EMBASSIES SUGGESTS THAT GOVERNMENT PARTICIPATION MAY BE REQUIRED, OR AT LEAST, EXPECTED OF BIDDERS. THIS APPROACH HAS OBVIOUS ADVANTAGES FOR DEVELOPING COUNTRIES WITH MINIMAL TECHNICAL EXPERIENCE. HOWEVER, WE WONDER WHY FERROCARRILES NACIONALES WISHES PROCEED IN THIS DIRECTION. VENEZUELAN INDUSTRY CERTAINLY COMPETANT HANDLE VARIOUS ASPECTS OF RAILROAD DEVELOPMENT AND OPERATION. IS DECISION SEEK SINGLE COUNTRY TURNKEY BIDDER REFLECTION OF PROPOSALS THAT MAY ALREADY HAVE BEEN PRESENTED BY CONSORTIUM MENTIONED IN REFTTEL? WOULD APPRECIATE EMBASSY'S OPINION WHETHER THIRD COUNTRY COMPETITORS HAVE INSIDE TRACK.

3. WOULD ALSO APPRECIATE EMBASSY'S VIEWS ON PROJECT FINANCING. SINCE AGOSTINI HAS BEEN TALKING TO INSTITUTIONS REPORTED IN REFTTEL, HE OBVIOUSLY INTENDS CALL FOR PROPOSALS INCLUDING EXPORT FINANCING. WE WONDER WHAT ARRANGEMENTS MAY BE ENVISIONED FOR FOREIGN EQUITY PARTICIPATION IN PROJECT; PARTICULARLY IN REFERENCE TO RAILCAR MANUFACTURING FACILITY. KISSINGER

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